

Presented to the Court by the foreman of the  
Grand Jury in open Court, in the presence of  
the Grand Jury and FILED in The U.S.  
DISTRICT COURT at Seattle, Washington.

April 23 2003  
BRUCE RIFKIN, Clerk  
By H. Brent Zachary Deputy

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

UNITED STATES OF AMERICA,

Plaintiff,

v.

TIMOTHY T. MOODY,

Defendant

NO **CR03 0176Z**

INDICTMENT



CR 03-00176 #00000010

THE GRAND JURY CHARGES THAT:

COUNTS 1 through 3  
(Wire Fraud)

A THE SCHEME AND ARTIFICE TO DEFRAUD

1 From in or about March, 2000, and continuing through in or about March, 2001, at Redmond, Seattle, Bainbridge Island and other locations within the Western District of Washington, and elsewhere, the defendant, TIMOTHY T. MOODY, did knowingly and willfully devise and execute a scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, as further described below

2 It was part of the scheme to defraud that TIMOTHY T. MOODY made various misrepresentations about his background, financial resources, and qualifications to employees, officers, investors, and others affiliated with Project X, Inc. (later called Znetix, Inc.) for the purpose of inducing Project X/Znetix to enter into an employment

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1 relationship with him and for the purpose of maintaining his employment with Project  
2 X/Znetix, such misrepresentations included, but were not limited to, the following:

3           a       that he had hundreds of millions of dollars in a trust fund,  
4           b       that his family had founded Moodys Investors Service;  
5           c.      that he was an attorney licensed to practice,  
6           d.      that he had previously been employed as counsel to the Ford Motor  
7 Company; and

8           e       that he knew a wealthy restaurateur named P F Chang whom he  
9 would solicit to invest in Project X/Znetix

10         3       It was part of the scheme to defraud that on or about May 4, 2000,  
11 TIMOTHY T. MOODY signed an employment agreement with Project X/Znetix under  
12 which Mr. MOODY would receive and be eligible to receive millions of dollars in  
13 compensation for serving Project X/Znetix as "Chief Strategic Officer and Executive  
14 Advisor to the President;" such employment agreement also provided, among other  
15 things, that:

16           a.     MOODY's duties would include "increasing the Company's market  
17 value and maintaining and increasing shareholder's value within the parameters of  
18 mergers, acquisitions and financial strategies," and "forming and implementing the  
19 process to expand the Department of Strategic Finance, Mergers and Acquisitions;"

20           b.     MOODY would receive a base salary of \$550,000 per year, along  
21 with a bonus of \$550,000 paid on each December 31 during the term of the agreement,

22           c       MOODY would receive a "Signing Bonus" of \$2 million, with \$1.3  
23 million of this amount to be paid immediately on signing the agreement and the remaining  
24 \$700,000 to be paid within sixty days;

25           d.     MOODY would receive from \$500,000 to up to twenty percent of  
26 the value of any successfully completed merger, acquisition or similar transaction; and

27           e       MOODY would receive stock options, various retirement, medical,  
28 insurance, and other benefits, and reimbursement of business expenses.

1        4.        It was part of the scheme to defraud that TIMOTHY T. MOODY received  
2 over \$2.5 million from Project X/Znetix during the period from in or about March, 2000,  
3 through in or about March, 2001.

4        5        It was part of the scheme to defraud that TIMOTHY T. MOODY expressed  
5 doubts about the legitimacy of Project X/Znetix but nevertheless received and accepted  
6 funds from Project X/Znetix.

7        B.        EXECUTION OF THE SCHEME TO DEFRAUD

8        On or about the dates set forth below, at Redmond, within the Western District of  
9 Washington, and elsewhere, TIMOTHY T. MOODY, having devised the above-described  
10 scheme and artifice to defraud and for obtaining money and property by means of false  
11 and fraudulent pretenses, representations, and promises, did, for the purpose of executing  
12 the above-described scheme and artifice, and for attempting to do so, knowingly and  
13 willfully cause writings, signs, signals, pictures, and sounds to be transmitted by wire  
14 communication in interstate commerce, that is, on or about such dates, TIMOTHY T  
15 MOODY caused the following interstate wire transfers of funds in the amounts set forth  
16 below to be sent from U S Bank in Redmond, Washington, account number  
17 153590844947 in the name of Project X, Inc., to First Union Bank in Naples, Florida,  
18 account number 4019999401 in the name of Timothy T. Moody Trust; each such wire  
19 transfer set forth below constitutes a separate count of this Indictment, as follows:

<u>COUNT</u>	<u>DATE</u>	<u>AMOUNT</u>
1	May 10, 2000	\$1,000,000
2	June 2, 2000	\$300,000
3	August 4, 2000	\$700,000

24        All in violation of Title 18, United States Code, Section 1343.

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1 **CRIMINAL FORFEITURE ALLEGATIONS**

2 Upon conviction of the offenses charged in Counts 1 through 3 of this Indictment,  
3 defendant *TIMOTHY T MOODY* shall forfeit to the United States, pursuant to Title 18,  
4 United States Code, 981(a)(1)(c), 1956(c)(7), and 1961(1), and Title 28, United States  
5 Code, Section 2461(c), any property constituting or derived from proceeds obtained  
6 directly or indirectly as a result of the such offense, including but not limited to the  
7 following:

- 8 (a) Proceeds in the amount of \$2,000,000;
- 9 (b) The real property located at 7445 Treeline Drive, Naples, Florida, its  
10 buildings, improvements, appurtenances, fixtures, attachments and easements, more  
11 particularly described in Attachment A, which is incorporated herein; and
- 12 (c) A beige Lexus LX470, Vehicle Identification Number  
13 JT6HT00W1Y0111688, Florida License Tag Number T48KWU.

14 If any of the above-described forfeitable property, as a result of any act or  
15 omission of the defendant:

- 16 (a) cannot be located upon the exercise of due diligence;
- 17 (b) has been transferred or sold to, or deposited with, a third party;
- 18 (c) has been placed beyond the jurisdiction of the Court,
- 19 (d) has been substantially diminished in value, or
- 20 (e) has been commingled with other property which cannot be divided without  
21 difficulty;

22 it is the intent of the United States, pursuant to Title 21, United States Code, Section

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1 853(p), as incorporated by Title 28, United States Code, Section 2461(c), to seek  
2 forfeiture of any other property of said defendant up to the value of the forfeitable  
3 property described above.

4  
5 A TRUE BILL

6 DATED: 4/23/03

7  
8 ST Moore  
9 FOREPERSON

10  
11 [Signature]

12 JOHN McKAY  
13 United States Attorney

14 [Signature]

15 FLOYD G SHORT  
16 Assistant United States Attorney

17 [Signature]

18 RICHARD E COHEN  
19 Assistant United States Attorney

20 [Signature]

21 YE-TING WOO  
22 Assistant United States Attorney

23 [Signature]

24 TODD BRILLIANT  
25 Special Assistant United States Attorney

26 [Signature]

27 JEFFREY B COOPERSMITH  
28 Assistant United States Attorney

**ATTACHMENT A**

**7445 TREELINE DRIVE, NAPLES, FLORIDA  
REAL PROPERTY LEGAL DESCRIPTION**

Real Property located in the County of Collier, State of Florida, and described as follows:

Lot No 3, Tract 4, Olde Cypress, Unit One, according to the plan thereof recorded in Plat Book 32, Pages 1 through 11, of the Public Records of Collier County, Florida.

Assessors Parcel Number 0000064625000748